

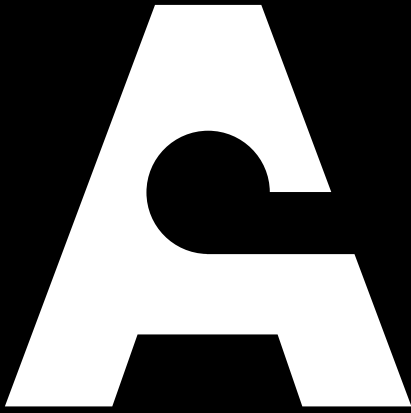


Interim Report 2011 | Auckland International Airport Limited

Our plan is now a reality

Due to the hard work in
completing significant projects
from the growth strategy





These figures are estimates only and have not been independently verified. As such, they are not intended for republication and should not be relied upon by any person.

2011

Interim report
Year ended 2010

Hard work pays off

Person hours worked

491,400

RRRing! Hello?
123,700 incoming calls



received in operations alone

1770 items reported lost – 4771 found. Weirdest? Dentures!

\$54.809 million retail revenue – 12.9% increase

Queenstown's international passengers increased by 36.9%

Visitors from China increased by 39.3%

Mackay's domestic passengers increased by 13.7%

3.18km



of loo roll used throughout the year

500,000kW/hr energy saved = >80t of CO₂ NOT in the atmosphere



500 tonnes

of paper and card and 100 tonnes of glass were recovered and recycled

100%

54,600 lunches eaten



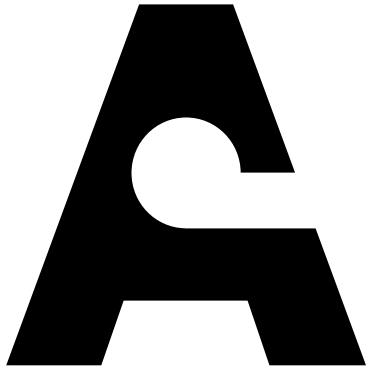
Effort and commitment from everyone involved in helping Auckland Airport turn its plan into a reality. Thank you.



**All Kiwis want
to fly**

Taken by renowned
photographer
Stephen Tilley.

A



Interim Report 2011

Welcome to the review of the half-year ended 31 December 2010, for Auckland Airport.

We're proud of our strategic progress and the momentum we have been able to generate for business.

Open up the report and read all about it.

Simon Moutter
Chief Executive



New departures redevelopment provides increase in high-end retail options for travellers



Reduced environmental footprint is recognised by award of EarthCheck's Silver certificate



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— Half-year ended December 2010

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\$54.809m retail revenue 12.9% increase

This excellent result was largely due to the investment in a high-quality retail environment

Airfield income increased

11.7%

Interim dividend increased to

4 cents

Total revenue increased

8.7%

Passenger service income increased

8.2%

Depreciation expenses were up

5.5%

Interim dividends up

7.9%

EBITDAFI increased

9.2%

Underlying net profit increased

14.0%

Car-parking revenue up

7.6%

Auckland passenger movements up to 7,023,596

Passenger movements increased

3.9%

Visitors from China increased

39.3%

Queenstown's international passengers increased

36.9%

International passenger movements
(including transit passengers) increased

5.0%

Visitors from Japan increased

24.1%

Cairns' international passengers increased

29.4%

Domestic passengers increased

2.6%

Visitors from Korea increased

15.6%

Mackay's domestic passengers increased

13.7%

Raising the bar

- 01 Auckland Airport** was voted ninth-best airport in the world, and in the top 10 in the world for the second year in a row
- 02 Joan Withers and Simon Moutter** in front of Pou Manawa – the tree-like structure and centrepiece in the new retail hub



2011 Half-year company report

The six months to 31 December 2010 saw Auckland Airport gain considerable momentum on our growth strategy and achieve an impressive 14.0% improvement in underlying earnings performance.

This strategic momentum has led to an uplift in profits and dividends, and an improved outlook for the full 2011 year.

Over the last two years, our goal has been to transform the company from a high-quality builder and operator of aviation infrastructure, to a sales-led engine of economic growth, powered by an expanded airport footprint in New Zealand and Australia, exposure to higher-growth markets, increased airline connectivity, and active route development and promotional activity.

We have encouraged new air services, particularly from Asia, that will boost our aeronautical revenues and will also stimulate demand for travel and deliver increased trade and tourism for New Zealand Inc. We have also invested heavily in those aspects of our business such as retail and property, which leverage commercial opportunities from the growth we have attracted.

Last year we likened our plan to a 'blueprint'. Today, it is a reality. With the foundations for success in place, and our business units implementing them on a daily basis, we are very confident that this

strategy is the right one for our company and New Zealand. Ongoing shifts in global travel and economic trends only serve to reinforce our confidence.

We are reaping the benefits from our investment in world-class retail, we are seeing a solid pipeline of new air services beginning to come on stream, and many of our new property developments are nearing completion in time for waiting tenants.

Underpinning all aspects of our strategy has been a focus on the passenger experience. Everyone involved with Auckland Airport has a role to play in delivering a superb experience for each passenger. By making every journey better and by providing a wider range of choices, we can help increase both the number and spend of visitors.

The second global Skytrax award we received in May 2010, when we were rated as the ninth-best airport in the world (up from 10th the previous year), was supported over the rest of the calendar year by strong customer satisfaction ratings in the independent Airport Service Quality (ASQ) ratings.





The rise of Asia

China increasingly important



Market trends

It is clear that the rapidly developing economies of the world, particularly across Asia, are driving much of the growth in global travel demand.

Many of the markets which the New Zealand tourism industry has traditionally relied upon have been in relative decline, or at best flat, with few signs of a significant turnaround any time soon. In addition, while Australia is still our largest market and has been a pillar of strength for the industry during the recent downturn, we remain very dependent on the trans-Tasman market.

Meanwhile, growth-oriented airlines continue to target the expanding tourism markets of Asia and other growth areas aggressively, using their strong route networks, in-market reach, and customer loyalty programmes. They also have access to aircraft and capital, as well as to the operating cost structures necessary to exploit market opportunities.

Our expanded airport footprint offers us opportunities to work with airlines on route networks, with increased international traffic flowing on into domestic routes, particularly to Queenstown.

The continuing evolution of aircraft offers potential opportunities for tourism and trade because of the improved long-haul efficiency and ability of planes such as the 777-300 and the 787 Dreamliner to make routes more economically appealing for airlines.

Auckland Airport and our airline customers have announced several new or expanded air services over the last six months. These include a strategically important direct service to the third-largest city in China, Guangzhou, with the largest airline in Asia, China Southern Airlines, as well as a new Taipei service with China Airlines, and many expanded services with existing airlines such as Air New Zealand, Jetstar, Emirates, Malaysian Airlines and Thai Airways.

There was also a timely boost provided to the recovering Japan inbound tourism market through a charter programme led by Air New Zealand, in partnership with Auckland Airport and Tourism New Zealand. The success of this initiative proved that, through an industry partnership approach, New Zealand tourism is able to generate even more growth out of an important high-value market.

The Jetstar growth in air services has been particularly notable. This includes expanded services to Melbourne and Cairns (commencing in April this year), and domestically in New Zealand, plus a new Auckland to Singapore route starting in March this year which, for the first time, offers a low-cost, long-haul option to a major Asian travel hub.

All these additional services provide a bigger pipeline to New Zealand for increased tourism, which in turn is followed by increased trade. In addition, we have been able to use our expanded airport footprint in North Queensland and Queenstown to influence airlines and increase connectivity, and we have strongly supported air services with promotional activity, alongside industry, to help fill the extra seats.

Globally, we have seen several airlines working together for mutual interest. Air New Zealand, for instance, has decided to cement its strategic alliance with Virgin Blue by taking a minority equity stake in Virgin Blue. This move, like our decision to form a strategic alliance with, and invest in, North Queensland and Queenstown airports, reinforces the importance of being able to access airline network connections, form alliances and build traffic flows between airports.

Auckland Airport overcame our initial concerns about the potential for reduced competition after Air New Zealand and Virgin Blue gave undertakings to the Australian Consumer and Competition Commission to maintain and grow the number of seats flown on certain trans-Tasman routes. While these undertakings have largely allayed our concerns, we do note with some caution that the withdrawal of Pacific Blue from the New Zealand domestic market does illustrate that airline withdrawals or consolidations can significantly affect a market.

All these ongoing aviation trends, and the changes they are enabling, are reinforcing the strategic importance of emerging tourism markets, network connectivity and growth-oriented airlines to New Zealand and Australia.



In our experience, the correlation between air-service capacity, particularly in direct services, and travel demand is incontrovertible



To benefit, New Zealand's tourism industry in particular must continue to work and invest collectively to overcome relative disadvantages of scale, funding and end-of-line location in order to win more than our natural share of visitors from these growth markets. We are far from alone in recognising the strategic importance of Asia – we are effectively in a global competition to become a preferred trade and tourism partner. We must ensure we have sufficient and varied air-service capacity, competition and connectivity to reach into each market, stimulate in-bound passenger demand and, in turn, make more routes economically viable.

In our experience, the correlation between air-service capacity, particularly in direct services, and travel demand is incontrovertible. Additional capacity and a dynamic, competitive aviation environment, drives travel demand up and accelerates market growth.

Without a coordinated industry effort to drive up demand, as a country we risk experiencing tourism growth of modest proportions at best. Encouragingly, increased air-service links are recognised by the tourism industry as pivotal to New Zealand's future tourism and economic growth prospects, and there is increasing alignment between industry and government on how best to address this issue.

In a demonstration of government and industry working well together, the high-potential Taiwanese tourism market has benefited from a change in visa policy that has enabled easier travel by Taiwanese visitors to New Zealand. This move has already had an immediate and positive impact on arrival numbers and supports the new air service to Taipei by China Airlines.

Similarly, the support and encouragement received from both central government and Auckland Council tourism stakeholders were instrumental in China Southern Airlines deciding in January 2011 to accelerate their plans to move to direct flights between Auckland and Guangzhou, after announcing a service via Melbourne a month earlier.



A step closer to Taiwan

It is official. China Airlines has restarted its services to New Zealand after a 10-year absence, making the trip to and from Taiwan much more convenient for travellers.

The Taiwanese carrier resumed flights in our skies at the beginning of January 2011, flying three times per week from Taipei to Auckland via Brisbane.

Auckland Airport's chief executive Simon Moutter says the new service is one of several developments with Asia that will help connect New Zealand with the region more than ever before.

He says Taiwan is a high-growth potential market for New Zealand and has recently benefited from a change in visa policy that has enabled easier travel by Taiwanese people to New Zealand – which has had a positive effect on arrival numbers.

“With a large migrant community in New Zealand, we believe a new service to Taiwan will be a great success and will help open up more of Asia to New Zealand.”

- 01 New China Airlines flights to Taiwan will feature full services
- 02 China Airlines has resumed flights in our skies, flying three times per week from Taipei to Auckland via Brisbane
- 03 The arrival of inaugural flight from China Airlines helps open up Taiwan market



01

Flight	To/Via	Depart Time	Status
China Airlines EK413	Sydney/Dubai	18:00	Gate Closed
China Airlines QF44	Sydney	18:05	Gate Closed
China Airlines EK407	Melbourne/Dubai	18:10	Gate Closed
QZ400	Gold Coast	18:20	Boarding in 5 Mins
NZ6	Los Angeles	18:30	Final Call
NZ721	Melbourne	18:50	Boarding in 10 Mins
NZ9	San Francisco	18:50	Final Call
NZ84	Vancouver	19:35	Boarding in 55 Mins
ANA1183	Buenos Aires	20:30	Boarding in 80 Mins
CX64	Brisbane/Taipei	20:00	Boarding in 85 Mins

02



03



Get ready for Jetstar to Singapore

With just a few weeks to go until Jetstar's direct services between Auckland and Singapore start, now is a good time to plan your next Asian adventure.

The low fares leader started daily direct flights on March 17 this year, giving you the opportunity to head to the tiny island known for its great food and shopping.

This is also the first time the airline will be offering its two-class service in New Zealand – including the Starclass business class offering.

The new service also provides an important gateway link to Jetstar's Singapore hub, with the carrier servicing some 22 destinations in Asia, including mainland China, from Singapore.



01 Jetstar offers its two-class service in New Zealand



Travel numbers

Improving global aviation market conditions are having a positive effect on travel demand.

3.9% increase in total passenger movements

International passenger movements increased by 5.0%

Strong Asian visitor arrival

Domestic passenger movements increased by 2.6%

Queenstown has seen a growth of 36.9% in international passengers

Cairns has seen an increase of 29.4% in international passengers



...an increase in services between Queenstown and Auckland from daily to 11 times a week.



In the six months to 31 December 2010, total passenger movements for Auckland Airport were 7,023,596, an increase of 3.9% over the corresponding period in 2009.

International passenger movements at Auckland, including transit passengers, increased by 5.0%, largely due to the continuing improvement in global conditions and strong Asian visitor arrivals particularly from China, Japan and Korea, which increased 39.3%, 24.1% and 15.6%, respectively. Domestic passenger movements at Auckland increased by 2.6% in the six months to 31 December 2010; however, it is worth noting that domestic passengers increased 7.5% in the nine months ending 30 September 2010. In October 2010, Pacific Blue sadly withdrew from the New Zealand domestic market and the rate of growth slowed. While the exit of Pacific Blue has clearly had an impact on domestic traffic volumes, Air New Zealand and Jetstar have taken up some of the capacity vacated by Pacific Blue and we hope to see more capacity in the market soon.

Queenstown Airport has seen significant growth of 36.9% in international passengers and 12.1% in domestic passengers in the six months to December 2010. Strong air-services development is underpinning this growth, including the new twice-weekly direct flights between Queenstown and Melbourne and the Gold Coast with Jetstar, both starting from December 2010, and an increase in services between Queenstown and Auckland from daily to 11 times a week.

Cairns Airport has seen significant passenger growth of 29.4% in international passengers (including transits) and 7.1% in domestic passengers in the six months to December 2010.

Mackay Airport has also seen significant passenger growth in its domestic passengers of 13.7% in the six months to December 2010, riding a resurgence in the resources sector that we expect to last for some time.





Half-year financial results in detail

8.7%

increase in total revenue



Total revenue for the six months to 31 December 2010 increased 8.7%, with airfield income increasing 11.7% to \$36.653 million, primarily due to a return to scheduled pricing on top of the volume growth effect.

11.7%

increase in airfield income



To assist airlines in the aftermath of the global financial crisis, Auckland Airport did not implement a scheduled increase in landing charges between 1 July 2009 and 1 March 2010. From 1 March 2010, the pricing schedule resumed, correcting the landing charges back to scheduled levels and increasing airfield income when compared with the same period in 2009.

12.9%

increase in retail revenue



Revenue from passenger service charges increased 8.2% in the six months to 31 December 2010, due to a scheduled price increase from \$12.00 to \$12.44 (before GST) from 1 July 2010 and a 4.7% increase in qualifying passengers.

14.0%

increase in underlying net profit



Retail revenue increased in the period by 12.9%, up to \$54.809 million. This excellent result was largely due to investment in a high-quality retail environment within the airport's international departures area and an increase in marketing activity and customer choice.

This favourable comparison with the reduced retail revenue in 2009 also reflects the adverse effects of the reversion to a dual duty free operator model in that year and the disruption caused by the construction work in the international departures area. Construction work was, for the most part, completed in 2010, with a brand-new international departures retail offering and dwell areas now in place, including two outstanding new duty free stores.

In a very competitive car-parking market, we expanded our range of products, including the successful introduction of a new online booking service in June 2010,

supported by an increase in marketing activity. These efforts were reflected in our car parks being fuller than ever before and excellent revenue results for the six months to 31 December 2010, up 7.6% to \$17.132 million.

Operating expenses were \$3.198 million higher than in the 2009 half-year, mostly reflecting increased activity in air-service route development.

Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI) were \$151.001 million for the six-month period compared with \$138.300 million in 2009 (increase of 9.2%).

For the first time in a number of years, Auckland Airport is increasing its **interim dividend** to 4 cents per share, reflecting the level of confidence the board has that the strategy is delivering a step-change in performance.

Share of profit of associates (comprising North Queensland Airports and Queenstown Airport) was \$0.848 million, up from \$0.501 million in the six months to December 2009, when the only associate included was HMSC-AIAL Limited. The sale of Auckland Airport's joint venture investment in HMSC-AIAL Limited resulted in a gain on disposal of \$1.240 million.

Depreciation expenses were up 5.5% from the corresponding prior period to \$28.726 million.

Underlying net profit after tax before the impact of the revaluation of investment property, the gain on sale of HMSC-AIAL and other fair value changes was \$61.536 million in the six months to 31 December 2010, compared with \$53.964 million in the six months to 31 December 2009, an increase of 14.0%.



The airport's economic engine

Operationally, we have kept a firm grip on our **capital expenditure**, and we have focused on achieving greater efficiencies and improvements to the traveller experience, particularly in terms of passenger processing in collaboration with government border agencies.

In November 2010, Auckland Airport issued US\$150.000 million in debt, our first issue in the US market. This comprised three tranches of US\$50.000 million each to refinance the upcoming NZ\$125.000 million bank facility maturity in March 2011 and NZ\$75.000 million of fixed and floating bonds expiring in July 2011.

The accounts recognise a gain on **fair valuation** of derivative financial instruments of \$1.364 million from new financial instruments taken out in conjunction with the new US Private Placement (USPP) debt issuance in November 2010.

Total unsecured borrowings at 31 December 2010 were \$1,083.371 million (2009: \$1,055.437 million). This comprised bonds of \$559.713 million, bank facilities of \$450.000 million, commercial paper of \$81.765 million and a fair valuation on the USPP notes issued on 19 November 2010 but yet to be drawn down of \$8.107 million.

At 31 December 2010, Auckland Airport had \$200.000 million of **committed but undrawn funding lines** and cash on hand of \$27.186 million.

Auckland Airport's contribution to economic activity is expected to increase to as much as 27.0% of Auckland regional GDP by 2031

A recent study has confirmed Auckland Airport's role as a key driver of economic activity in the Auckland and New Zealand economies.

The study, by consultancy firm Market Economics, says Auckland Airport's contribution to economic activity is expected to increase to as much as 27.0% of Auckland regional GDP by 2031, up from 21.0% as estimated in a similar 2006 study.

This economic activity will help sustain as many as 363,000 jobs, an increase from 174,000 in 2006. There is also increasing attention on the airport 'corridor', a growth node comprising businesses located at or near the airport.

The airport corridor already generates or facilitates around \$3 billion of GDP annually and its contribution is expected to grow to \$5 billion to \$6 billion by 2031. This growth is expected to increase employment from a current estimate of 21,000 workers to as many as 38,000 by 2031.

"This study reinforces the important role that Auckland Airport plays in helping grow New Zealand tourism and trade by improving the air-services connections between New Zealand and the world," says Auckland Airport's chief executive Simon Moutter.

"It is important that Auckland Airport is seen not just as part of Auckland's transport infrastructure, but as a key driver of the super city's future economic prosperity and visitor economy."



Significant business items

Active aeronautical business development

International retail development

Healthy property development

Review of aeronautical charges

Healthier workplace initiatives

01 Matthew Findlay of Auckland Airport (right) accepts an award for the airport's air-service development

02 The new Novotel Auckland Airport is nearing completion



December 2010 saw a significant milestone in the ongoing regulatory process with the issue by the Commerce Commission of final determinations for airport regulation. Auckland Airport has commenced the implementation of these determinations. We remain committed to delivering service choice and efficiency benefits to consumers, and to investing appropriately in the passenger experience, in airline competition and in essential airport infrastructure.

It is essential for New Zealand that airports continue to have appropriate incentives to provide the capacity necessary to support our country's ambitions to grow trade and tourism. We, along with others in the infrastructure and aviation sectors, have lodged a merits appeal in order to address aspects of the final determinations. We believe that the determinations do not sufficiently recognise the interests of consumers in the long-term investment required in capacity to serve growth in New Zealand tourism and trade.

Achievements in operational efficiencies have continued across all of our airport operations. These include the extension of self-service customs technology, SmartGate, into international departures, continued collaboration with our airport partners on expanded LEAN Six Sigma efficiency work, and the further development of Smart Border initiatives.

Smart Border is our description for the collective group of technology and efficiency initiatives that, when completed, can effectively 'submerge' the trans-Tasman border processing experience for travellers, making it as close to that for a domestic journey as possible, while retaining border integrity in terms of immigration, customs and biosecurity needs.

A focus on efficiency and improvement in our business extended to staff, with a successful 'health and well-being week' aimed at encouraging a healthier workplace, a continued outstanding health and safety achievement of zero lost-time injuries for well over a year, and

a company-wide leadership development programme intended to deepen the company's leadership base and provide for succession within the team.

Our aeronautical business development team continued to be very active in promoting air services. The six-month period alone saw hundreds of thousands of additional seats per annum announced across a wide range of carriers and routes out of Auckland, including strategically vital new and expanded direct services with mainland China. These new seats are worth many millions of dollars to the New Zealand economy.

The two-year, \$50-million international retail development is now largely complete and was launched in late December by His Worship the Mayor of Auckland Len Brown, and Associate Transport Minister the Hon. Nathan Guy, and the retail businesses are now providing passengers with a wide range of shopping choices, including many leading brands.

The healthy property development pipeline generated in the 2010 financial year is advancing well. A number of projects, including the Novotel and Formule 1 hotels and the Mercedes distribution warehouse, are nearing completion.

“
The two-year \$50-million international retail development is now largely complete
”



Revamped retail hub

Attention all travellers!
The international
terminal's revamped
airside retail hub
awaits you.

It has taken the better part of a year, but the international departures area has been transformed into a place to relax – and partake in some world-class retail therapy.

Favourites such as JR Duty Free, DFS Duty Free, Adidas and Artport have been refurbished and are now joined by high-class brands including Apple, Swatch, Moët and Chandon, MAC Cosmetics and Icebreaker.

The hub was officially opened in December at a special ceremony that saw Auckland's Mayor Len Brown and Associate Transport Minister Nathan Guy unveil 'Pou Manawa' – the tree-like structure and centrepiece of the area.

Architecturally designed, Pou Manawa stands nine metres high and its billowing canopy, featuring a cycle of different images, covers a fabric surface area of 577 square metres.

General manager of retail and commercial Adrian Littlewood says the installation will become a memorable feature for everyone who passes through the airport.



01 Pou Manawa the tree-like structure at the heart of the new retail area

02 MAC Cosmetics

03 Icebreaker

04 Swatch

03

04



Twelve days of Christmas

The families of the Pike River miners have benefited thanks to the generosity of travellers who donated to Auckland Airport's annual cheer fund.

The airport's 12 Days of Christmas promotion gave away \$120,000 to deserving charities in the lead-up to Christmas.

As one of the beneficiaries, The Pike River Disaster Relief Trust received one of 12 payments of \$10,000 made possible by the generosity of airport visitors, who put their spare coins and notes into the special collection bubbles around the airport.

Other charities who received a slice of the money included Lifeline Auckland, Kidney Kids New Zealand, the South Auckland Health Foundation, Citizens Advice Glen Innes and Plunket's car seat rental scheme.

Community sponsorship manager Zella Morrison-Briars says the campaign received more than 400 worthy applications and the committee found it very difficult to choose the recipients.

[Lifeline Auckland](#)

[Kidney Kids New Zealand](#)

[Arohanui Hospice](#)

[Pike River Families](#)

[Mobility Assistance Dogs Trust](#)

[North Waikato Care of the Aged](#)

[Vaiola Pacific Island Budgeting](#)

[Energy Options – Curtain Bank](#)

[South Auckland Health Foundation](#)

[Citizens Advice Bureau Glen Innes](#)

[Plunket Car Seat Rental Schemes](#)

[Foundation for Youth Development](#)



Whopper billboard

The Rugby World Cup is the third-biggest sporting event in the world and it is being promoted on a grand scale at Auckland Airport.

As part of MasterCard's World Cup promotions, a brightly coloured billboard went up in early October: measuring a whopping 46.5m x 2.7m, it is the largest internal billboard site in Australasia.

It is certainly impossible to miss the giant sized washing line with all the rugby jerseys that wraps around the international baggage claim area.

The giant billboard was a joint initiative between the airport and its media supplier EYE. EYE's New Zealand concession manager Keri Ring says the billboard, which is almost as big as an outdoor site, demonstrates the sense of domination and impact that sponsors want for the World Cup.

"It's like 'wow'," he says. "And it's great that MasterCard was the first cab off the rank with this large-scale campaign."

MasterCard, an official World Cup sponsor, also has an enormous decal on the floor in the baggage claim area that represents the playing field, and a wrap that states how priceless it is to have the World Cup in our own backyard.

"Expect to see more of this sort of dynamic and exciting advertising coming to Auckland Airport over the next few months as we head towards the Rugby World Cup 2011 event," says Keri.



Mercedes building takes shape

If you have recently cruised down Landing Drive in Auckland Airport's business district, you might have noticed that the new Mercedes building is taking shape.

Once finished, the 2,830sqm warehouse will house Mercedes' spare parts business.

The company's New Zealand general manager of service and parts David Blake says the purpose-built facility will not only meet the company's current and future requirements, but also allow it to increase its service levels nationwide.

"For Mercedes-Benz, this means we will have quicker access to freight, which means faster turnaround times for orders and ultimately quicker delivery times.

This will only add to our already high standards and drive to take customer service to a new level."





Significant business items

Ongoing social responsibilities

Improved public transport between the airport and Auckland

Preparations for the RWC 2011

Review of aeronautical charges

Economic growth rate expected to exceed that for the rest of country

We have continued our extensive corporate social responsibility initiatives, with ongoing educational, tourism and health-related sponsorships, an extensive programme of noise mitigation activities, and a long-running enterprise-wide sustainability programme recognised with an international EarthCheck Silver sustainability award in December 2010.

With effect from 1 November 2010, the New Zealand government restructured Auckland's local government into a unitary Auckland Council. The shareholdings previously held by Manukau and Auckland City Councils are now a single holding of 22.4% as at 31 December 2010. The relationship between Auckland Airport and its largest shareholder remains very positive and constructive. We actively engage across many levels with Auckland Council on a wide range of issues, including community, investment, the visitor economy, economic growth, international relations, transport, environmental and spatial-planning matters.

We remain an advocate of improved public transport between the airport and all parts of Auckland. Auckland Airport is one of the signatories to a memorandum of understanding that is studying potential rapid transit corridors between the airport and the Central Business District.

A recently released report highlighted how Auckland Airport and its surrounds will likely be a significant regional and national economic growth engine for at least the next 20 years and will grow at a faster rate than will the rest of the New Zealand economy. This projected growth will be an important consideration as the Auckland spatial planning process continues.

Given the regulatory and commercial debate that centres on aeronautical charges, we were keen to acquire a realistic and professional assessment of how our charges compare with those of other airports that are relevant to our market, so we commissioned two reports.

The first report, by international aviation consultants Jacobs, was conducted

in September 2010 and reviewed our international charges. According to Jacobs, Auckland Airport's international aeronautical charges are "middle of the pack", just below the average of the 20 airports serviced by Air New Zealand that each handle more than 500,000 international passengers a year.

The second report, by Australasian aviation consultants Airbiz, was conducted in August 2010 and reviewed our domestic charges. The Airbiz report found that Auckland Airport has amongst the lowest domestic charges in Australasia. We are proud that, whilst charging competitive rates, we provide a passenger service level which has seen us named one of the world's top 10 airports for two years running. We are also continuing to invest in the infrastructure capacity needed to accommodate ambitious tourism and trade growth targets.

Preparations for Rugby World Cup 2011 have gathered pace. Like everyone associated with the event, we are determined to play our part in helping to deliver a great experience for visitors to the country. Just as importantly, we see this as an opportunity to deliver enduring benefit in the global marketing of New Zealand as a destination. We are working with agency and industry partners to ensure that processing for teams and visiting fans alike is seamless. A number of projects are also under way to further improve the terminal ambience and leave a legacy for the visitor experience beyond this event. We will be ready to showcase New Zealand at its best.

01



02



01 Rugby fans and All Black supporters – the brand-new Rugby World Cup store has opened in the landside departures area on the first floor of the international terminal

02 His Worship Mayor Len Brown heads the new Auckland Council, which is our largest shareholder



Queenstown Airport

In July 2010, Auckland Airport formed a strategic alliance with Queenstown Airport and bought a 24.99% stake in Queenstown Airport Corporation Limited for \$27.700 million.

State-of-the-art baggage-handling area

Extension to the international terminal

Five successful domestic promotions featuring Queenstown deals

Recently hosted senior executives from China Southern Airlines

We are now working with our strategic alliance partner to grow tourism into Queenstown Airport, and deliver significant long-term economic benefits to the Queenstown Lakes District.

The recent growth in passenger numbers at Queenstown Airport is great news for the local economy but it means some airport facilities are stretched at the seams. Our investment is now funding projects to cope with fast-growing demand and ensure every arriving or departing visitor has a great experience in one of the jewels in New Zealand's tourism crown.

Major projects include a new state-of-the-art baggage-handling area, extensions to the international terminal, construction of runway-end safety areas, a new jet blast-fence, new jet hard stands and a taxiway (currently the runway serves as the taxiway, limiting the number of aircraft movements at busy times).

Auckland Airport is uniquely placed to drive more tourism traffic south to Queenstown, as more than 70.0% of all international visitors to New Zealand arrive through our terminals and we have relationships with all the major airlines operating in this part of the world.

The partnership is already gaining good traction. In November 2010, a marketing campaign in the United States featured a holiday deal in Queenstown, and promotional activity is under way to support the new Queenstown-Gold Coast route. Closer to home, Auckland Airport

has worked with industry partners to launch more than five successful domestic promotions featuring Queenstown special deals.

Auckland Airport is also encouraging more airlines to consider Queenstown. To build up to the new China Southern Airlines service to Auckland, Queenstown Airport recently hosted senior executives from the airline and Guangzhou Airport to give them a firsthand taste of the high-quality Queenstown Lakes holiday offering. China Southern are returning to New Zealand and Queenstown in April, with a large delegation from Guangzhou organised by Auckland Airport, and are keen to include the destination in their itinerary development.

Following the acquisition of shares in Queenstown Airport, Auckland Airport was served notice of High Court proceedings by Air New Zealand and the Queenstown Community Strategic Assets Group Trustee Limited, seeking to overturn our shareholding investment in Queenstown Airport.

In each of the proceedings, Queenstown Lakes District Council, Queenstown Airport and Auckland Airport are named as first, second and third defendants respectively. Auckland Airport believes the plaintiffs' claims are wholly without merit and will strongly defend the proceedings. We would prefer to get on with the job of helping to grow tourism and trade into Queenstown and New Zealand than to spend time and money on lawyers.

01



01 A recent billboard promoting flights from Auckland to Queenstown



North Queensland Airports

In January 2010, Auckland Airport acquired a 24.55% stake in North Queensland Airports (NQA), the owner of Cairns and Mackay Airports for NZ\$166.7 million, to expand our footprint in Australasia, build volume and connectivity, and gain greater exposure to the higher-growth tourism markets of Queensland.

Fly from Cairns campaign

New airline route developments

Two dividend payments received

Cyclone Yasi hit but airports remain relatively unscathed

Also, there have been considerable new airline route development advances driven by the development teams at NQA and Auckland Airport and the promotional activity of Tourism Tropical North Queensland, including a new route between Auckland and Cairns by Jetstar due to start in April 2011.

In the twelve months since acquisition of its share in NQA, Auckland Airport has received two dividend payments from NQA totalling AU\$6.801 million (NZ\$8.656 million).

Cairns Airport launched a 'Fly from Cairns' campaign to promote outbound travel and educate the local population on the travel opportunities out of Cairns Airport. In September, the major domestic terminal redevelopment was officially completed. In October, the Mackay terminal redevelopment commenced. In November, Cathay Pacific commenced daily Hong Kong flights and, in December, Cairns released its Draft Land Use Plan 2010 for public consultation.

In January 2011, Cairns and Mackay Airports along with much of northern Queensland were hit with extreme weather conditions associated with Cyclone Yasi. Both airports assisted considerably in regional evacuation efforts and were able to execute emergency response plans very effectively. Both airports came through relatively unscathed and were able to resume operations quickly. The widespread flooding experienced in parts of Queensland in late December 2010 and early January 2011 affected neither airport.

01



02



- 01 Cairns Airport recently launched a campaign to inform the local population of the many cities which are linked by non-stop services from Cairns
- 02 Cairns is an excellent base for a wide range of wilderness adventures including the Great Barrier Reef



Silver for sustainability

Auckland Airport is leading the way when it comes to sustainability. It is now the second airport in the world – after Kuala Lumpur – to achieve EarthCheck's Silver certification.

Auckland Airport signed up to EarthCheck, a global sustainable tourism certification scheme, in March last year.

Efforts to minimise waste, conserve water and use energy efficiently, as well as benchmarking reports and on-site audits, saw the airport move from Bronze status to Silver in December 2010.

"It's an excellent result," says Martin Fryer, the company's sustainability advisor.

He says the company has taken the approach that sustainability should be part of how the airport operates as a business. "It's not an add-on and certainly not just another word for environmental management.

"Having gone through the audit process, I'm convinced EarthCheck is the right choice for any tourism business that understands that sustainability is about their social, economic and environmental performance and is a long-term commitment."





The board

The board of Auckland Airport continues to ensure strong succession planning is in place for directors.

In October 2010, Joan Withers, who had previously been Chair of the company's Audit and Risk Committee, succeeded Tony Frankham in the role of Chair of the board.

The board also recruited Brett Godfrey to stand for election and shareholders at the Annual General Meeting confirmed his election on 28 October 2010. Brett recently retired as CEO of Virgin Blue in Australia and his considerable experience and skill in the international aviation and tourism industries will make him a valuable addition to the Auckland Airport board.



Last word

Looking ahead, we are confident that the powerful concept of 'making journeys better' provides a solid foundation for our team, giving everyone the empowerment to make decisions and take actions within each area of responsibility that will improve the passenger experience.

The success of our air-service development activities are heartening; however, there are many significant and high-potential tourism markets, such as India, to which New Zealand does not yet have sufficiently strong air links. We believe we must continue to do more as an industry, working closely with government to optimise tourism and trade opportunities from growth markets and break down any potential barriers to increased air links.

The board is optimistic about the full 2011 financial year and expects net profit after tax (excluding any fair value changes and other one-off items) to now be at the top end of, or a little above, the previously stated guidance of \$112.000 million to \$118.000 million. We note with some caution any potential impacts from rising fuel prices or impacts on travel demand as a result of the Christchurch earthquake disaster. As always, this guidance is subject to any other material adverse events, significant one-off expenses, non-cash fair value changes to property and further deterioration due to the global market conditions or other unforeseeable circumstances.

Auckland Airport is well positioned to deliver benefits for the full 2011 year and beyond.

JOAN WITHERS

Chair

SIMON MOUTTER

Chief executive

Financial information

*For the six months ended
31 December 2010*

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Group interim income statement

For the six months ended 31 December 2010

	6 months 31 Dec 2010	6 months 31 Dec 2009	12 months 30 June 2010
	\$000	\$000	\$000
<i>Notes</i>			
Income			
Airfield income	36,653	32,823	66,715
Passenger services charge	39,434	36,454	73,252
Terminal services charge	13,888	13,926	27,814
Retail income	54,809	48,540	95,817
Rental income	25,581	24,488	48,533
Rates recoveries	2,117	1,343	2,982
Car park income	17,132	15,924	31,057
Interest income	561	945	1,678
Other income	8,095	7,928	15,265
Total income	198,270	182,371	363,113
Expenses			
Staff	16,356	15,780	31,574
Asset management, maintenance and airport operations	16,275	15,449	30,948
Rates and insurance	3,919	3,284	7,035
Other	10,719	9,558	17,245
Total expenses	47,269	44,071	86,802
Earnings before interest, taxation, depreciation, fair value adjustments and investments in associates (EBITDAFI)	151,001	138,300	276,311
Share of profit of an associate	848	501	890
Share of loss of an associate	-	-	(792)
Gain on sale of associate	1,240	-	-
Derivative fair value change	1,364	-	-
Investment property fair value increases	2,294	-	9,469
Earnings before interest, taxation and depreciation (EBITDA)	156,747	138,801	285,878
Depreciation	28,726	27,241	55,736
Earnings before interest and taxation (EBIT)	128,021	111,560	230,142
Interest expense and other finance costs	35,756	35,013	71,938
Profit before taxation	92,265	76,547	158,204
Taxation expense			
Deferred tax adjustment on buildings	-	-	84,404
Other taxation expense	26,772	22,583	44,106
Total taxation expense	26,772	22,583	128,510
Profit after taxation	65,493	53,964	29,694
	Cents	Cents	Cents
Earnings per share:			
Basic and diluted earnings per share	5.0	4.4	2.4

These financial statements have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants (NZICA) Review Engagement Standard RS-1. The accompanying notes form part of these financial statements.

Group interim statement of comprehensive income

For the six months ended 31 December 2010

	6 months 31 Dec 2010	6 months 31 Dec 2009	12 months 30 Jun 2010
	\$000	\$000	\$000
<i>Notes</i>			
Profit for the period	65,493	53,964	29,694
Other comprehensive income			
Tax on the property, plant and equipment revaluation reserve	111	24	7,862
Foreign currency translation reserve	8,192	-	(2,347)
Share-based payments	3	-	11
Share of reserves of associate	703	-	(1,202)
Cash flow hedges:			
Fair value gains/(losses) recognised in the cash flow hedge reserve	(8,234)	(947)	(15,323)
(Gains)/losses transferred to the income statement	9,754	10,909	20,812
Tax effect of movements in the cash flow hedge reserve	(425)	(2,989)	(2,172)
Total cash flow hedge movement	1,095	6,973	3,317
Total other comprehensive income	10,104	6,997	7,641
Total comprehensive income for the period, net of tax	75,597	60,961	37,335

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Group interim statement of changes in equity

For the six months ended 31 December 2010

	Notes	Issued and paid-up capital \$000	Cancelled share reserve \$000	Property, plant and equipment revaluation reserve \$000	Share-based payments reserve \$000	Cash flow hedge reserve \$000	Retained earnings \$000	Share of reserves of associates \$000	Foreign currency translation reserve \$000	Total \$000
At 1 July 2010		313,245	(161,304)	1,632,764	906	(18,899)	150,471	(1,202)	(2,347)	1,913,634
Profit for the period		-	-	-	-	-	65,493	-	-	65,493
Other comprehensive income/(loss)		-	-	111	3	1,095	-	703	8,192	10,104
Total comprehensive income/(loss)		-	-	111	3	1,095	65,493	703	8,192	75,597
Reclassification to retained earnings		-	-	(1,579)	-	-	1,579	-	-	-
Shares issued	11	15,249	-	-	-	-	-	-	-	15,249
Dividend paid	8	-	-	-	-	-	(58,582)	-	-	(58,582)
At 31 December 2010		328,494	(161,304)	1,631,296	909	(17,804)	158,961	(499)	5,845	1,945,898

	Notes	Issued and paid-up capital \$000	Cancelled share reserve \$000	Property, plant and equipment revaluation reserve \$000	Share-based payments reserve \$000	Cash flow hedge reserve \$000	Retained earnings \$000	Share of reserves of associates \$000	Foreign currency translation reserve \$000	Total \$000
At 1 July 2009		174,738	(161,304)	1,628,783	895	(22,216)	220,251	-	-	1,841,147
Profit for the period		-	-	-	-	-	53,964	-	-	53,964
Other comprehensive income/(loss)		-	-	24	-	6,973	-	-	-	6,997
Total comprehensive income/(loss)		-	-	24	-	6,973	53,964	-	-	60,961
Reclassification to retained earnings		-	-	(80)	-	-	80	-	-	-
Shares issued	11	1,066	-	-	-	-	-	-	-	1,066
Dividend paid	8	-	-	-	-	-	(54,513)	-	-	(54,513)
At 31 December 2009		175,804	(161,304)	1,628,727	895	(15,243)	219,782	-	-	1,848,661

These financial statements have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants (NZICA) Review Engagement Standard RS-1. The accompanying notes form part of these financial statements.

Group interim statement of changes in equity

For the six months ended 31 December 2010

	Notes	Issued and paid-up capital \$000	Cancelled share reserve \$000	Property, plant and equipment revaluation reserve \$000	Share-based payments reserve \$000	Cash flow hedge reserve \$000	Retained earnings \$000	Share of reserves of associates \$000	Foreign currency translation reserve \$000	Total \$000
At 1 July 2009		174,738	(161,304)	1,628,783	895	(22,216)	220,251	-	-	1,841,147
Profit for the period		-	-	-	-	-	29,694	-	-	29,694
Other comprehensive income/(loss)		-	-	7,862	11	3,317	-	(1,202)	(2,347)	7,641
Total comprehensive income/(loss)		-	-	7,862	11	3,317	29,694	(1,202)	(2,347)	37,335
Reclassification to retained earnings		-	-	(3,881)	-	-	3,881	-	-	-
Shares issued	11	138,507	-	-	-	-	-	-	-	138,507
Dividend paid	8	-	-	-	-	-	(103,355)	-	-	(103,355)
At 30 June 2010		313,245	(161,304)	1,632,764	906	(18,899)	150,471	(1,202)	(2,347)	1,913,634

These financial statements have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants (NZICA) Review Engagement Standard RS-1. The accompanying notes form part of these financial statements.



Group interim statement of financial position

As at 31 December 2010

		As at 31 Dec 2010 \$000	As at 31 Dec 2009 \$000	As at 30 Jun 2010 \$000
	<i>Notes</i>			
Non-current assets				
Property, plant and equipment	9	2,515,127	2,543,137	2,532,864
Investment properties	10	505,615	472,379	490,131
Investment in associate – HMSC-AIAL Ltd		-	6,980	-
Investment in other associates	7	201,810	-	161,867
Derivative financial instruments		5,504	4,993	7,596
Other non-current assets		775	775	775
		3,228,831	3,028,264	3,193,233
Current assets				
Cash		27,186	17,616	36,052
Inventories		72	112	102
Prepayments		5,924	6,558	5,188
Accounts receivable		21,956	21,471	16,112
Dividend receivable		4,937	-	3,687
Held for sale investment in associate – HMSC-AIAL Ltd	5	-	-	6,782
Derivative financial instruments		2,899	-	902
		62,974	45,757	68,825
Total assets		3,291,805	3,074,021	3,262,058

These financial statements have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants (NZICA) Review Engagement Standard RS-1. The accompanying notes form part of these financial statements.

Group interim statement of financial position continued

As at 31 December 2010

	Notes	As at 31 Dec 2010 \$000	As at 31 Dec 2009 \$000	As at 30 Jun 2010 \$000
Shareholders' equity				
Issued and paid-up capital	11	328,494	175,804	313,245
Cancelled share reserve		(161,304)	(161,304)	(161,304)
Retained earnings		158,961	219,782	150,471
Property, plant and equipment revaluation reserve		1,631,296	1,628,727	1,632,764
Share-based payments reserve		909	895	906
Cash flow hedge reserve		(17,804)	(15,243)	(18,899)
Share of reserves of associates		(499)	-	(1,202)
Foreign currency translation reserve		5,845	-	(2,347)
		1,945,898	1,848,661	1,913,634
Non-current liabilities				
Term borrowings	12	800,314	957,590	885,218
Derivative financial instruments		33,288	20,565	25,802
Deferred tax liability		172,303	94,175	172,083
Other term liabilities		720	456	531
		1,006,625	1,072,786	1,083,634
Current liabilities				
Accounts payable and accruals		47,189	44,215	45,983
Taxation payable		4,188	5,415	8,709
Derivative financial instruments		4,699	3,861	2,751
Short-term borrowings	12	283,057	97,847	206,780
Provisions		149	1,236	567
		339,282	152,574	264,790
Total equity and liabilities		3,291,805	3,074,021	3,262,058

These financial statements have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants (NZICA) Review Engagement Standard RS-1. The accompanying notes form part of these financial statements.



Group interim cash flow statement

For the six months ended 31 December 2010

	6 months 31 Dec 2010	6 months 31 Dec 2009	12 months 30 Jun 2010
	\$000	\$000	\$000
<i>Notes</i>			
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers	193,738	179,051	363,097
Income tax refunded	-	3,233	3,233
Interest received	561	945	1,678
	194,299	183,229	368,008
Cash was applied to:			
Payments to suppliers and employees	(45,218)	(45,605)	(87,423)
Income tax paid	(31,388)	(16,259)	(32,329)
Other taxes paid	(134)	(82)	(248)
Interest paid	(35,329)	(35,760)	(71,752)
	(112,069)	(97,706)	(191,752)
Net cash flow from operating activities	82,230	85,523	176,256
Cash flow from investing activities			
Cash was provided from:			
Proceeds from sale of assets	14	-	2
Proceeds from sale of investment in associate	8,022	-	-
Proceeds from settlement of net investment hedge	556	-	-
Dividend from associate	3,719	-	-
	12,311	-	2
Cash was applied to:			
Purchase of property, plant and equipment	(15,473)	(22,750)	(42,897)
Interest paid – capitalised	(584)	(1,535)	(2,102)
Expenditure on investment properties	(12,505)	(4,758)	(8,338)
Investment in associates	(31,512)	(587)	(170,797)
	(60,074)	(29,630)	(224,134)
Net cash applied to investing activities	(47,763)	(29,630)	(224,132)
Cash flow from financing activities			
Cash was provided from:			
Increase in share capital	15,249	1,066	138,507
Increase in borrowings	1,576,000	1,495,850	2,699,456
	1,591,249	1,496,916	2,837,963
Cash was applied to:			
Decrease in borrowings	(1,576,000)	(1,515,000)	(2,685,000)
Dividends paid	(58,582)	(54,513)	(103,355)
	1,634,582	(1,569,513)	(2,788,355)
Net cash flow applied (to)/from financing activities	(43,333)	(72,597)	49,608
Net increase/(decrease) in cash held	(8,866)	(16,704)	1,732
Opening cash brought forward	36,052	34,320	34,320
Ending cash carried forward	27,186	17,616	36,052

These financial statements have not been audited. They have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants (NZICA) Review Engagement Standard RS-1. The accompanying notes form part of these financial statements.

Notes and accounting policies

For the six months ended 31 December 2010

1. Corporate information

Auckland International Airport Limited (the 'company' or 'Auckland Airport') is a company established under the Auckland Airport Act 1987 and was incorporated on 20 January 1988 under the Companies Act 1955. The original assets of Auckland International Airport were vested in the company on 1 April 1988 and 13 November 1988 by an Order in Council of the New Zealand Government. The company commenced trading on 1 April 1988. The company was re-registered under the Companies Act 1993 on 6 June 1997. The company is an issuer for the purposes of the Financial Reporting Act 1993.

Auckland Airport provides airport facilities and supporting infrastructure in Auckland, New Zealand. The company earns revenue from aeronautical activities, retail concessionaries and car parking facilities, stand-alone

investment properties and other charges and rents associated with operating an airport. The company also holds investments in three other airports being Cairns Airport and Mackay Airport in Queensland, Australia, as well as Queenstown Airport in New Zealand.

The financial statements presented are for Auckland Airport and its subsidiaries (the Group). The subsidiaries consist of Auckland Airport Limited, Auckland International Airport Limited Share Purchase Plan, Auckland Airport Holdings Limited, and Auckland Airport Holdings (No. 2) Limited (incorporated on 7 July 2010).

These interim consolidated statements were authorised for issue in accordance with a resolution of the directors on 24 February 2011.

2. Summary of significant accounting policies

The financial statements comply with New Zealand Equivalent to International Accounting Standards NZ IAS 34 and IAS 34 Interim Financial Reporting.

These interim financial statements are not required to and do not make disclosure of all of the information required to be included in an annual financial report. Accordingly, this report should be read in conjunction with the financial statements and related notes included in Auckland Airport's Annual Report for the year ended 30 June 2010 (2010 Annual Report).

The accounting policies set out in the 2010 Annual Report have been applied consistently to all periods presented in these financial statements.

These interim financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise indicated.

3. Segment information

(a) Identification of reportable segments

The company has identified its operating segments based on the internal reports reviewed and used by the chief executive officer in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of services provided. Discrete financial information about each of these operating segments is reported to the chief executive officer at least monthly.

(b) Types of services provided

Aeronautical

The aeronautical business provides services that facilitate the movement of aircraft, passengers and cargo, and provides utility services that support the airport. The aeronautical business also earns rental revenue from space leased in facilities such as terminals.

Retail

The retail business provides services to the retailers within the terminals and provides car parking facilities for airport staff and passengers.

Property

The property business earns rental revenue from space leased on airport land outside the terminals including cargo buildings, hangars and stand-alone investment properties.



Notes and accounting policies

For the six months ended 31 December 2010

	Aeronautical \$000	Retail \$000	Property \$000	Total \$000
Six months ended 31 December 2010				
Total segment income	102,678	76,863	17,789	197,330
Total segment expenses	24,728	5,163	3,543	33,434
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	77,950	71,700	14,246	163,896
Six months ended 31 December 2009				
Total segment income	95,636	67,791	17,092	180,519
Total segment expenses	23,975	4,630	3,412	32,017
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	71,661	63,161	13,680	148,502
Year ended 30 June 2010				
Total segment income	191,612	133,250	34,500	359,362
Total segment expenses	46,647	10,367	7,329	64,343
Segment earnings before interest, taxation and depreciation (Segment EBITDA)	144,965	122,883	27,171	295,019

Income reported above represents revenue generated from external customers. There was no inter-segment income for the six months ended 31 December 2010 (31 December 2009: \$nil; 30 June 2010: \$nil).

Notes and accounting policies

For the six months ended 31 December 2010

(c) Segment reconciliation of segment EBITDA to income statement:

	6 months 31 Dec 2010	6 months 31 Dec 2009	12 months 30 Jun 2010
	\$000	\$000	\$000
Segment EBITDA	163,896	148,502	295,019
Unallocated external operating income from continuing operations	2,180	2,353	4,641
Unallocated operating expenses from continuing operations	(13,835)	(12,054)	(22,459)
Investment property fair value increases	2,294	-	9,469
Share of profit/(loss) of unallocated associates	848	-	(792)
Derivative fair value increase	1,364	-	-
Depreciation	(28,726)	(27,241)	(55,736)
Interest expense and other finance costs	(35,756)	(35,013)	(71,938)
Profit before taxation	92,265	76,547	158,204

The income included in unallocated external operating income from continuing operations consists mainly of interest from third-party financial institutions and income from telecommunication services.

4. Staff expenses

	6 months 31 Dec 2010	6 months 31 Dec 2009	12 months 30 Jun 2010
	\$000	\$000	\$000
Staff expenses comprise:			
Salaries and wages	12,711	12,433	24,771
Other employee benefits	1,428	1,384	2,509
Share-based payment	660	228	228
Defined contribution superannuation	338	321	640
Restructuring costs	(56)	343	1,072
Other staff costs	1,275	1,071	2,354
	16,356	15,780	31,574

Notes and accounting policies

For the six months ended 31 December 2010

5. Sale of investment in an associate

On 18 August 2010, Auckland Airport sold its 50% share of HMSC-AIAL Limited to Host International, Inc. HMSC-AIAL Limited operates food and beverage facilities at the international terminal of Auckland Airport. Host International, Inc. was the other 50% shareholder in HMSC-AIAL Limited. The consideration received for the sale was

\$8.022 million.

The carrying value of the investment in the associate, HMSC-AIAL Limited, was \$6.782 million. HMSC-AIAL Limited was in the retail operating segment.

6. Investment in a new associate

On 8 July 2010, Auckland Airport invested \$27.700 million in 4.0 million new shares (24.99% of the increased shares on issue) in Queenstown Airport Corporation Limited ('Queenstown Airport') and formed a strategic alliance. Queenstown Airport has an option for Auckland Airport to increase its shareholding to 30 – 35% at any time up to 30 June 2011 following approval from Queenstown Lakes District Council. The price for any additional shares is \$7.47 per share, plus a lump-sum

consideration of \$2.200 million, reflecting the additional value of a shareholding over 25%. The strategic alliance commits both airports to work together to drive more tourist traffic into New Zealand and through the two airports. The airport companies will also pursue operational synergies and benefits in other areas such as aeronautical operations, retailing activities and property development.

7. Investment in other associates

The carrying value of investment in associates in the Auckland Airport interim financial statements is outlined below:

	6 months 31 Dec 2010 \$000	6 months 31 Dec 2009 \$000	12 months 30 Jun 2010 \$000
Auckland Airport Hotel Limited Partnership	6,200	-	2,776
Stapled Securities of North Queensland Airports Limited	166,788	-	159,091
Queenstown Airport	28,822	-	-
	201,810	-	161,867

Notes and accounting policies

For the six months ended 31 December 2010

8. Distribution to shareholders

	Dividend payment date	6 months 31 Dec 2010 \$000	6 months 31 Dec 2009 \$000	12 months 30 Jun 2010 \$000
2009 final dividend of 4.45 cps	23 October 2009	-	54,513	54,517
2010 interim dividend of 3.75 cps	31 March 2010	-	-	48,838
2010 final dividend of 4.45 cps	22 October 2010	58,582	-	-
Total dividends paid		58,582	54,513	103,355

The interim and final dividends relating to the 2009 and 2010 financial years total 8.20 cents per share.

Notes and accounting policies

For the six months ended 31 December 2010

9. Property, plant and equipment

	Land \$000	Buildings and services \$000	Infrastructure \$000	Runway, taxiways and aprons \$000	Vehicles plant and equipment \$000	Total \$000
At 31 December 2010						
At fair value	1,498,579	643,271	257,975	265,839	-	2,665,664
At cost	-	-	-	-	61,805	61,805
Work in progress at cost	-	2,045	1,641	27,535	810	32,031
Accumulated depreciation	-	(115,141)	(39,069)	(47,511)	(42,652)	(244,373)
Net carrying amount	1,498,579	530,175	220,547	245,863	19,963	2,515,127
Additions for the six months ended 31 December 2010 included above						
	-	8,569	(9)	222	2,248	11,030
At 31 December 2009						
At fair value	1,499,867	627,119	250,466	265,347	-	2,642,799
At cost	-	-	-	-	59,790	59,790
Work in progress at cost	-	7,156	1,391	26,002	2,107	36,656
Accumulated depreciation	-	(86,977)	(28,200)	(36,610)	(44,321)	(196,108)
Net carrying amount	1,499,867	547,298	223,657	254,739	17,576	2,543,137
Additions for the six months ended 31 December 2009 included above						
	16	16,625	1,853	2,220	2,055	22,769
At 30 June 2010						
At fair value	1,498,579	624,251	257,529	266,010	-	2,646,369
At cost	-	-	-	-	68,085	68,085
Work in progress at cost	-	12,989	2,131	27,161	1,421	43,702
Accumulated depreciation	-	(101,623)	(33,132)	(42,144)	(48,393)	(225,292)
Net carrying amount	1,498,579	535,617	226,528	251,027	21,113	2,532,864
Additions for the 12 months ended 30 June 2010 included above						
	2,416	20,979	8,318	4,123	10,116	45,952

Notes and accounting policies

For the six months ended 31 December 2010

10. Investment properties

	31 Dec 2010 \$000	31 Dec 2009 \$000	30 Jun 2010 \$000
Balance at the beginning of the year	490,131	467,537	467,537
Additions	13,160	4,983	8,338
Transfers	30	(141)	4,787
Investment properties net revaluations	2,294	-	9,469
Balance at the end of the year	505,615	472,379	490,131

Auckland Airport's accounting policy is for investment property to be measured at fair value, which reflects market conditions at the reporting date. To determine fair value, Auckland Airport commissions investment property valuations at least annually by independent registered valuers. Investment properties were last valued by independent valuers as at 30 June 2010. Full valuations were not sought at 31 December 2010 or 31 December 2009.

At 31 December 2010, an independent review was performed by registered valuers CB Richard Ellis and Jones Lang Lasalle, for five investment properties under construction. For all other investment properties, a valuation review was performed by Auckland Airport which comprised a review of recent comparable transactional evidence of market sales and leasing activity using market data provided by CB Richard Ellis.

At 31 December 2009, an independent review of the fair values of all investment properties was performed by registered valuers Seagar & Partners (Auckland) Limited.

The independent reviews at 31 December 2010 and 31 December 2009 did not include full property inspections or the issue of new reports but examined the likely effect on property values of the investment environment applicable at the relevant time. The independent review of the five investment properties under construction at 31 December 2010 concluded that there was an increase of \$2.294 million in the fair value of those investment properties since the previous valuation carried out at 30 June 2010 (31 December 2009: \$nil).

The previous independent valuation of the investment property portfolio was performed by Seagar & Partners (Auckland) Limited, Colliers International and CB Richard Ellis, registered valuers and industry specialists as at 30 June 2010. The basis of valuation is market value, based on each property's highest and best use. The valuation methodologies used were a direct sales comparison or a direct capitalisation of rental income using market comparisons of capitalisation rates, supported by a discounted cash flow approach. This full independent valuation resulted in a \$9.469 million increase in the fair value of investment properties.

Notes and accounting policies

For the six months ended 31 December 2010

11. Issued and paid-up capital

	31 Dec 2010 \$000	31 Dec 2009 \$000	30 Jun 2010 \$000
Opening issued and paid-up capital at 1 July	313,245	174,738	174,738
Options exercised during the year	-	1,060	1,060
Shares allocated to employees by employee share scheme	16	6	21
Shares issued under the Accelerated Renounceable Entitlement Offer	-	-	122,620
Shares issued under the dividend reinvestment plan	15,233	-	14,806
Closing issued and paid-up capital at 30 June	328,494	175,804	313,245

	31 Dec 2010 Shares	31 Dec 2009 Shares	30 Jun 2010 Shares
Opening number of shares issued at 1 July	1,309,974,587	1,224,812,995	1,224,812,995
Options exercised during the year	-	640,000	640,000
Shares allocated to employees by employee share scheme	10,500	3,000	12,000
Shares issued under the Accelerated Renounceable Entitlement Offer	-	-	76,610,417
Shares issued under the dividend reinvestment plan	7,605,956	-	7,899,175
Closing number of shares issued	1,317,591,043	1,225,455,995	1,309,974,587

Notes and accounting policies

For the six months ended 31 December 2010

12. Borrowings

	31 Dec 2010 \$000	31 Dec 2009 \$000	30 Jun 2010 \$000
Current			
Commercial paper	81,765	72,847	81,780
Bank facility	125,000	25,000	125,000
Floating rate notes	5,000	-	-
Bonds	71,292	-	-
	283,057	97,847	206,780
Non-current			
Bank facilities	325,000	400,000	325,000
Floating rate notes	-	5,000	5,000
Bonds	483,421	552,590	555,218
USPP notes	(8,107)	-	-
Total term borrowings	800,314	957,590	885,218
Total			
Commercial paper	81,765	72,824	81,780
Bank facilities	450,000	425,000	450,000
Floating rate notes	5,000	5,000	5,000
Bonds	554,713	552,590	555,218
USPP notes	(8,107)	-	-
Total borrowings	1,083,371	1,055,437	1,091,998

The Group utilises a mixture of term bonds, US private placement notes, bank facilities, floating rate notes, money market facilities and commercial paper to provide its ongoing debt requirements.

Notes and accounting policies

For the six months ended 31 December 2010

US private placement

In November 2010, the Group issued a total of USD150.000 million in the US Private Placement (USPP) market to refinance the bank facility maturing in March 2011 and the floating rate notes and fixed bonds maturing in July 2011. The USPP issuance is made up of three tranches of USD50.000 million each. The tranches are a 4.42% coupon 10-year note and a 4.57% coupon 12-year note which will be drawn in February 2011 as well as a 4.67% coupon 10-year note to be drawn in July 2011. Three cross currency interest rate swaps were also entered into at the same time to swap the USD principal and fixed coupon obligations to NZD principal and floating interest rate exposures. Although these facilities are undrawn as at 31 December 2010, they are committed financial liabilities and therefore the change in fair value is recorded as borrowings as at the balance sheet date.

Bank facilities

During December 2009, the company established a new bilateral \$150.000 million standby bank facility provided by Bank of Tokyo-Mitsubishi UFJ to refinance the second tranche of the dual tranche standby facility maturing on 10 March 2010. This new facility matures on 10 March 2013. The purpose of the standby facilities is to support the commercial paper programme and to provide liquidity support for general working capital.

In March 2008, the company established a dual tranche standby facility agreement with a syndicate of banks for \$200.000 million. The first tranche was for \$100.000 million and was cancelled on 24 August 2009. The second tranche of \$100.000 million was cancelled in February 2010 in advance of its scheduled expiry date of 10 March 2010.

Also in March 2008, the company established a cash advances facility agreement with a syndicate of banks for \$350.000 million. The facility contained a two-year facility of \$125.000 million, a three-year facility of \$125.000 million and a five-year revolving facility of up to \$100.000 million. The company repaid the \$125.000 million facility in November 2009 and February 2010 in advance of its scheduled expiry date

of March 2010. The remaining facility is \$225.000 million, of which \$175.000 million is drawn as at 30 June 2010.

In December 2005, the company established a \$275.000 million, five-year bank facility with Commonwealth Bank of Australia. The facility contains a term debt facility of \$100.000 million and a revolving cash advances facility of \$175.000 million. In February 2007, the company extended the expiration of this bank facility to 31 January 2012.

Borrowings under the bank facilities and standby facilities are supported by a negative pledge deed.

Term bonds

During October and November 2009, the company raised \$125.000 million through a public bond issue. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 7.00% with a maturity of 27 November 2014.

In August 2009, the company raised \$25.000 million through a private placement bond issue. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 8.00% per annum with a maturity of 10 August 2016.

During January and February 2009, the company raised \$50.000 million through a follow-up of the retail bond issue in October and November 2008. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 7.25% with a maturity of 28 February 2014.

During October and November 2008, the company raised \$130.000 million through a retail bond issue. The bonds are unsecured and unsubordinated and pay interest at a fixed rate of 8.00% with a maturity of 15 November 2016.

Borrowings under the bond programme are supported by a master trust deed.

There were no defaults or breaches on any of the borrowing facilities in the current period (31 December 2009: nil; 30 June 2010: nil).

Notes and accounting policies

For the six months ended 31 December 2010

13. Reconciliation of profit after taxation with cash flow from operating activities

	6 months 31 Dec 2010 \$000	6 months 31 Dec 2009 \$000	12 months 30 Jun 2010 \$000
Profit after taxation	65,493	53,964	29,694
Non-cash items:			
Depreciation	28,726	27,241	55,736
Bad debts and doubtful debts	60	84	277
Deferred taxation expense	(94)	(96)	86,472
Share based payments expense	3	-	11
Equity accounted earnings from associates	(848)	(501)	(98)
Derivative fair value increase	(1,364)	-	-
Investment property fair value increase	(2,294)	-	(9,469)
Items not classified as operating activities:			
(Gain)/loss on asset disposals	(14)	491	172
(Increase)/decrease in provisions and property, plant and equipment and investment property retentions and payables	4,385	941	(953)
Gain on sale of associate	(1,240)	-	-
Movement in working capital:			
(Increase)/decrease in current assets	(6,642)	(7,465)	(921)
(Increase)/decrease in taxation payable	(4,522)	9,654	12,948
Increase/(decrease) in accounts payable	391	1,192	2,294
Increase/(decrease) in other term liabilities	190	18	93
Net cash flow from operating activities	82,230	85,523	176,256

Notes and accounting policies

For the six months ended 31 December 2010

14. Commitments

(a) Property, plant and equipment commitments

The company had contractual obligations to suppliers to purchase or develop property, plant and equipment for \$10.068 million at 31 December 2010 (31 December 2009: \$13.423 million; 30 June 2010: \$2.995 million).

(b) Investment property commitments

The company had contractual obligations to suppliers to purchase or develop investment property for \$25.344 million at 31 December 2010 (31 December 2009: \$1.062 million; 30 June 2010: \$1.804 million). The company has further contractual obligations to tenants to purchase

or develop investment property for \$1.661 million at balance date (31 December 2009: \$nil; 30 June 2010: \$18.062 million).

(c) Commitments relating to the investment Auckland Airport Hotel Limited Partnership

The group has contractual obligations to advance \$6.500 million to the limited partnership for the development of the Novotel hotel. A total of \$6.200 million had been advanced prior to the period end leaving a remaining commitment of \$0.300 million at 31 December 2010 (31 December 2009: \$5.913 million; 30 June 2010: \$3.724 million).

15. Contingent liabilities

Noise insulation

In December 2001, the Environment Court ratified an agreement that had been reached between Manukau City Council, the company and other interested parties on the location and future operation of a second runway to the north and parallel to the existing runway. Construction of the second runway has commenced but, on 28 August 2009, Auckland Airport announced that this construction had been deferred for 12 months due to economic conditions at that time. Auckland Airport has gone through extensive consultation with the airline industry and a review of capacity management on the existing runway. On 16 July 2010 a decision was made to extend the deferral of the construction of the second runway for a few more years.

Approvals for the second runway include a number of obligations on the company to mitigate the impacts of aircraft noise on the local community. The obligations include the company offering certain acoustic treatment packages to existing homes and schools within defined areas. Noise levels are monitored continually and, as the noise

impact area increases, offers will need to be made. The obligation does not extend to new houses. Overall, it is estimated that approximately 4,000 homes will eventually be offered assistance.

As it is not possible to accurately predict the rate of increase in aircraft noise levels over time, nor the rate of acceptance of offers of treatment to homeowners, the company cannot accurately predict the overall cost or timing of acoustic treatment. It is estimated that, overall, further costs would not exceed \$11.000 million. Pursuant to the aeronautical pricing consultation process between the company and its substantial customers completed on 2 July 2007, future noise costs will be shared between the company and the airlines on a fair and equitable basis. Aeronautical pricing is reviewed at least every five years.

Notes and accounting policies

For the six months ended 31 December 2010

16. Related party transactions

All trading with related parties, including and not limited to licence fees, rentals and other sundry charges, has been made on an arm's-length commercial basis, without special privileges.

The directors of North Queensland Airports declared a dividend of AU\$15.500 million on 23 December 2010 for the six-month period to 31 December 2010. The group's share of the dividend is AU\$3.805 million (NZ\$4.937 million). The dividend was subsequently received on 11 February 2011.

No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

For the period ended 31 December 2010, the Group has not made any allowance for impairment loss relating to amounts owed by related parties (31 December 2009: \$nil; 30 June 2010: \$nil).

17. Events subsequent to balance date

Interim dividend

On 24 February 2011, the directors approved the payment of an interim dividend of 4.00 cents per share amounting to \$52.720 million to be paid on 1 April 2011.

Review Report

TO THE SHAREHOLDERS OF AUCKLAND INTERNATIONAL AIRPORT LIMITED

We have reviewed the consolidated interim financial statements on pages 22 to 41. The consolidated interim financial statements provide information about the past financial performance of Auckland International Airport Limited and its subsidiaries ("the Group") and its financial position as at 31 December 2010. This information is stated in accordance with the accounting policies set out on page 29.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of the consolidated interim financial statements which present fairly the financial position of the Group as at 31 December 2010 and the results of operations and cash flows for the six months ended on that date.

Independent Accountant's Responsibilities

We are responsible for reviewing the consolidated interim financial statements presented by the Board of Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the consolidated interim financial statements do not present fairly the matters to which they relate.

Basis of Opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We have reviewed the consolidated interim financial statements of the Group For the six months ended 31 December 2010 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

Other than in our capacity as auditors under the Companies Act 1993 and the provision of taxation advice, we have no relationship with or interests in Auckland International Airport Limited or its subsidiaries.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the consolidated interim financial statements on pages 22 to 41 do not present fairly the financial position of the Group as at 31 December 2010 and the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34: Interim Financial Reporting and IAS 34: Interim Financial Reporting.

Our review was completed on 24 February 2011 and our review opinion is expressed as at that date.



Chartered Accountants
AUCKLAND, NEW ZEALAND

This review report relates to the unaudited consolidated interim financial statements of Auckland International Airport Limited and its subsidiaries for the six months ended 31 December 2010 included on Auckland International Airport Limited's website. The Board of Directors is responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the unaudited consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the reviewed unaudited consolidated interim financial statements and related review report dated 24 February 2011 to confirm the information included in the reviewed unaudited consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Notes

Notes

Online version

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